



Technological helping hand

Effective and reliable pensions technology is essential in the world of pensions. **James Markham**, Managing Director SBC Systems Ltd & B2E Technologies Ltd explains why.

One can't help thinking that if there were a Hitchhiker's Guide to the Galaxy of Technology Solutions for Pension Challenges it would probably say 'Don't Panic' on the front cover. Not because that is particularly helpful for deciding what to do, but rather because it highlights that 'think then act' is the best advice for the current situation.

2015 challenges

Some of the Pensions Industry's core challenges are:

- many new requirements to be implemented (AE, automatic transfer, etc);
- more people to be accommodated;
- much to be communicated regarding the changes; and
- much pressure to reduce operating costs

There is already a general recognition that addressing these challenges requires more and 'better' technology (flexible, straight-through, integrated, engaging etc). However, for technology to really be able to help, the underlying business context of these challenges must be understood – and by senior policy-makers not 'technology experts'. When this doesn't happen, solution design bypasses full consideration of the business requirements and sinks into detailed technical analysis, with the result that the well-meaning tail ends up wagging the proverbial dog.

Current business context

The following business context needs to be addressed in any solution to the above challenges:

- **Incremental system development:** pension systems have been developed over time

and few administrators have a central database on the procedural workarounds being applied to enable inputs to be processed accurately into outputs; this means that any solution that introduces 'straight-through-processing' runs the risk of causing substantial output error because it unwittingly bypasses these undocumented procedural workarounds.

- **Data standards:** there is a deep-seated lack of data standards among employers, payroll, pension providers and administrators; mass enrolment and the greater sharing of data is exposing inconsistencies and anomalies in data definitions; pension administrators may be surprised to discover that even when they fully understand how their own system works, outputs are not as expected because they are not receiving the data they think they are receiving.
- **Legacy technology:** there is a lot of legacy technology in use to administer member accounts going back decades; the wholesale replacement or reconfiguration of this back end technology to new requirements any time soon is cost-prohibitive and impractical.
- **Pension communications:** in the past, pension communications were limited and frequently incomprehensible, but it didn't matter because everything was taken care of; the extension of private sector DC pensions to cover much of the population through automatic enrolment, combined with the increasing freedom to do with your pension money as you see fit, is driving a need to give comprehensible, accessible guidance.
- **Pension engagement:** through poor communications and a lack of apparent relevance, pensions have an engagement problem; this not only affects pension

take-up, but also the quality of data provided by members, prospective members, and company staff who 'do the pensions' for 30 minutes on Friday, simply because the individuals do not understand what they should provide, or have insufficient patience to check if the data supplied is accurate.

Technology can help

New technology can help to meet the challenges but only when supported by an adequate business change programme and when built from the outputs of a comprehensive functional design project which has:

- uncovered the hidden procedural workarounds in the existing systems
- established clear understandings with the sending parties regarding data requirements
- worked out a credible organisational and technology operating model defining how the new solution and any continuing legacy systems will operate together
- designed effective user interfaces to achieve broad-based engagement and voluntary compliance with required data standards by all classes of users

Supporting culture shift needed

Current solutions require significant effort. Costs would greatly reduce if senior policy-makers in the industry recognised their role in setting technology direction and came together to agree principles of interoperability and user engagement... that would be a fulsome contribution to the Hitchhiker's Guide! ■